RIDE's Response to State Fiscal Stabilization Fund (SFSF) and Pension Questions Submitted by RIASBO

Below are the questions that were submitted to RIDE by RIASBO on behalf of their membership. RIDE's responses are those that are in blue immediately following each question.

1. Are State Fiscal Stabilization Funds considered a restricted or non restricted fund?
   State Fiscal Stabilization Funds are federal money and should be considered a restricted fund.

2. Can SFSF be used to fund the salaries and benefits of the following:
   - Special Education Teachers Allowable
   - All Teachers Allowable
   - Administrators Allowable
   - Computer Purchase Allowable
   - Teachers of Gifted & Talented Allowable
   - All Staff Last Payroll No. Please refer to question 14 for a list of allowable salary charges.

   If so, will any of these moves impact Maintenance of Effort for Title I and/or IDEA funding?
   State Fiscal Stabilization Funds can be used as a non-federal source by LEA's to support maintenance of effort. However, each federal program has different MOE rules. To count SFSF for IDEA MOE, only SFSF used for special education and related services allowable under IDEA can be counted. For Title I and other ESEA programs, SFSF funds used in FY09 to support general education services to provide a free public education can count as a non-federal source towards maintaining local fiscal effort.

3. Can Out-of-District Tuitions, generally paid with local funds, be paid with SFSF? If so, will this impact MOE for Title I and/or IDEA? Can IDEA funds be used to pay for Out-of-District tuitions?
   IDEA expenditure for excess costs associated with providing special education and related services for students with disabilities—costs above and beyond those associated with the district's general education general education obligation to effectively educate all students are allowable.

4. If we have 3 Reading Specialists paid out of Title I, 3 paid out of Literacy funds, and 3 paid out of general operating funds and the 3 from general operating funds are moved to SFSF, will we impact MOE for Title I? No, this move will not impact your Title I MOE . However, you must request to count the salaries charged to SFSF as a non-federal source of MOE for Title I. See question 23.

5. Can expenditures previously budgeted under Article 31 – Prof. Development, be moved to SFSF without impacting any MOE provisions? Professional Development is an allowable activity under ESEA, therefore, it can be charged to SFSF. However, you must request to use the funding as a non-federal source towards MOE. See question 23.

6. Can expenditures previously budgeted under the other Student Investments Funds be moved to SFSF without impacting any MOE provisions? Yes, if the cost activities qualify as an allowable expense for SFSF, you may move these expenses and it will not have an effect on your MOE. However, you must request to use the funding as a non-federal source towards MOE. See question 23.

7. Can classroom supplies budgeted under the General Fund be moved to the SFSF? Yes, Classroom supplies are an allowable expense.

8. Can the SFSF be used to fund Computer Upgrades? Yes, computer upgrades are an allowable expense.

9. Can the SFSF be used to fund Psychologists/Occupational Therapists, Physical Therapists, Social Workers, etc? Please see question 14 for a list of the allowable salaries that can be charged to your SFSF grant. There is no mention of the above salary categories in the SFSF guidance, therefore we recommend that you do not charge these salaries to your SFSF grant.

10. Can the SFSF be used to fund large Textbook Purchases – such as a curriculum change? Yes, Textbooks are an allowable expense.

11. What impact will moving budgeted expenditures from the local budget to the SFSF have on the MOE provisions for Title I and IDEA? There should be no impact on your MOE as long as the cost activities you move are allowable under those programs and you request to use your SFSF as a non federal source towards MOE.

12. Does the cut in State Aid and replacement with SFSF mean that local effort has been reduced or do the SFSF replace the local effort in full? Local effort has been reduced with the cut; however, you can use SFSF to count as a non-federal source towards federal MOE requirements. Districts must request use of SFSF and assure that the cost activities are consistent with the allowable activities associated with the federal program MOE regulations.

13. Can the SFSF be used on the following budgeted expenditures previously under the local operating budget?
    - Transportation (All Areas: Spec Ed, Charter, Non-Public, Voc Ed, and Regular) Allowable
    - Mobile Radio Purchases Equipment is an allowable expense
    - Language Lab Purchase/Installation Equipment is an allowable expense

- Athletics Not allowable
- Building Maintenance & Repairs such as General Maintenance or Roof Replacement

  Allowable activities under SFSF for "modernization, renovation, or repair" includes altering, remodeling, repairing, or retrofitting an existing facility. Depending on the nature of the project, permissible activities might involve work related to electrical systems, plumbing systems, sewage systems, heating, ventilation or air conditioning systems, the installation of energy- efficient windows, the repair or replacement of roofs, asbestos abatement or removal, bringing facilities into compliance with fire and safety codes, making facilities accessible, or upgrading facilities to support new programs or services.

- Maintenance Supplies and Custodial Supplies Maintenance costs are unallowable
- Severance (Payouts) Retirees – If pension reform is passed, districts may be faced with significant payouts not previously budgeted Not allowable
- Regional Assessment i.e. East Bay Collaborative, Newport County Regional Special Ed, etc. As long as the cost activity of the collaborative is allowable under ESEA, Title I, or IDEA.

Will any of these, if approved, impact MOE under Title 1 or IDEA? No, as long as you follow the MOE rules for Title I (ESEA) or IDEA. However, you must request to use the funding as a non-federal source towards MOE. See question 23.

14. Are there any specific salaries that would not be eligible for a shift from the operating budget to the SFSF? Eligible salaries include Program Administrators, Teachers, Paraprofessionals/Tutors, Test Administrators, School Resource/Security Officers, School Nurses, Student Assistance Specialists, Library Media Specialists, and Support Staff.

15. We have been told that the funds must be obligated by June 30th. Can you provide the federal definition for obligated? Do goods have to have been received by June 30th or just ordered by then? What about services – contracted by June 30th or delivered by June 30th? State Fiscal Stabilization Funds for the initial grant period may be spent from April 1, 2009 through June 30, 2009. Goods may be ordered through June 30th and received by the time your final expenditure report is due at the end of July. Services must be delivered by June 30th .

16. In order to properly calculate the shift of dollars related to a specific time period we need to know if this accounting is on a cash or modified accrual basis? To illustrate this, a portion of the May 22nd payroll was earned prior to May 19th. If it's cash basis, this is probably fine, if it's modified accrual, the 6 days prior to May 19th may need to be backed out. Please define. Preaward expenses are allowable as of April 1st. If this date falls in the middle of a payroll period, you would need to back out expenses that occurred prior to April 1st.

17. In the guidance it was mentioned that 50% of the ARRA funding could be used to meet MOE. Was this referring to the State or District and if district, what needs to be done to ensure that this is done? How will this impact MOE until IDEA? This question refers to your IDEA funds.

Under certain circumstances, in accordance with IDEA section 613(a)(2)(C), in any fiscal year that an LEA's allocation exceeds the amount received in the previous fiscal year, the LEA may reduce the level of local, or state and local, expenditures otherwise required by IDEA LEA maintenance of effort (MOE) requirements by up to 50 percent of the allocation increase. However, the LEA must spend the 'freed-up' local or, state and local, funds on activities that are authorized under the Elementary and Secondary Education Act (ESEA) of 1965.

As required under IDEA, LEAs determined by RIDE as not meeting the requirements of Part B, including meeting targets in the State Performance Plan (SPP), and LEAs required to use 15% of their IDEA allocation on comprehensive Early Intervening Services (EIS) are prohibited from reducing MOE. Therefore, LEAs whose most recent publicly reported determination, as posted on the RIDE website, is *Needs Assistance*, *Needs Intervention*, or *Needs Substantial Intervention*, and those identified as having significant disproportionally are not permitted to take advantage of the local MOE reduction flexibility under IDEA.

If an LEA chooses to utilize the flexibility available under IDEA section 613(a)(2)(C) to reduce the level of local, or state and local, expenditures otherwise required in the current fiscal year, in subsequent fiscal years the LEA would be required to maintain effort at the reduced level -- except to the extent that an LEA increases the level of expenditures for the education of children with disabilities made by that LEA above the level of expenditures in FY 2009, using local, or state or local funds. In other words, an LEA choosing to take advantage of this flexibility may reduce the required MOE level in subsequent years, until that LEA increases the level of special education expenditures, using state or local funds, on its own.

18. Some districts with current fund balances may choose not to spend any or all of their SFSF in FY09. Can these funds be carried over into FY10? What needs to be done for this to happen? Districts will be allowed to carry the balance of any unspent FY09 allocations into the next fiscal year. Since an upfront payment has been made to each LEA for 50% of their FY09 allocation, you will need to do a reconciliation of those funds by filing a financial report. Any unspent funds that you have received would need to be returned to RIDE as a refund, but will be available as carryover in FY10. Make any refund checks payable to the General Treasurer and send them to Maureen Major with you financial report.

19. What is the lifespan of the ARRA funds, both Stabilization and Stimulus? What date does the calendar clock begin for these funds? Stabilization funds may be used from April 1, 2009 – September 30, 2011. Title I and IDEA ARRA funding is a supplement to your regular FY10 allocation. The funding periods for these funds are July 1, 2009 – September 30, 2011.

20. In FY09 only, can I move salaries to the SFSF and not the benefits in order to meet the timelines and minimize disruption to the existing budget? RIDE has granted a one time exception to allow LEAs to disproportionately apply only salary to the SFSF budgets. This flexibility is only allowable for the SFSF applications and does not apply to any of your CRP programs. However, if you move salaries to a federal account, the pension rate calculation changes. RIDE is advising

Districts to move the associated pension costs (<u>only that fringe benefit category</u>) to your SFSF grant also.

21. This question is in reference to the FY10 SFSF – We are anticipating a school closure for FY10. If we are allowed to move all of the expenses for the school against the SFSF, we may be able to keep the school open one additional year. Will this be allowed? As long as the cost activities funded by SFSF are allowable, you could choose this option for your FY2010 allocation.

22. Can you please explain the requirements for MOE as it applies to local effort under State Law, Title I MOE and MOE under IDEA – How will the shift of expenditures under the local operating budget to stabilization funds impact these?

The following RI General provides information concerning the MOE requirements for a local community. Excerpted below are key provisions from the law.

R.I.G.L. 16-7-23 Community requirements – Adequate minimum budget provision. – (a)

- The school committee's budget provisions of each community for current expenditures in each budget year shall provide for an amount from all sources sufficient to support the basic program and all other approved programs shared by the state.

- Each community shall contribute local funds to its school committee in an amount not less than its local contribution for schools in the previous fiscal year.

- Calculation of the annual local contribution shall not include Medicaid revenues received by the municipality or district pursuant to chapter 8 of title 40.

- A community which has a decrease in enrollment may compute maintenance of effort on a per pupil rather than on an aggregate basis when determining its local contribution;

- Furthermore, a community which experiences a nonrecurring expenditure for its schools may deduct the nonrecurring expenditure in computing its maintenance of effort. The deduction of nonrecurring expenditures shall be with the approval of the commissioner.

For **IDEA**, an LEA cannot reduce its local spending on special education and related services below the preceding fiscal year level. Fiscal effort must be maintained at 100%. For **Title I/ESEA**, MOE must not be less than 90% of the combined fiscal effort or aggregate general education expenditures for the second preceding fiscal year.

23. How do I request to use State Fiscal Stabilization Funds as a non federal source of funding to maintain local fiscal effort for ESEA and IDEA programs? School districts must include their request on the cover page of their SFSF application above the Superintendent's signature and identify how much of their stabilization funds will be used for local fiscal effort for each program.

Pension Questions

In addition to questions regarding the Stabilization Funds, several questions arose concerning accounting related to the change in pension for FY09 that we would also like to address. They are as follows:

RIDE has submitted the first three questions to the Auditor General and the State Pension Board for clarification. Once we receive the answers, RIDE will post them on the RIDE ARRA web site.

1. Can RIDE or the Office of the Auditor General provide school districts with the accounting entries that they would like to see uniformly made on the general ledgers of the district for FY09 to book the pension savings?

2. With regard to year-end balloon payments to staff, is the rate to be used the current FY09 rate or does the rate change for the payments to be issued in July & August even though the wages were earned prior to June 30th?

3. If the rate changes for July and August and I pre-pay the employer share in June, can I pay that under the FY09 rate?

4. Can ERSRI or RIDE please document for us an explanation of how the pension reform numbers were calculated? The pension adjustment was derived from FY 2008 total payroll inflated by 4.5%. This adjustment was initially calculated with the assumption that districts would only pay 25% of the employer contribution between February 1, 2009 and June 30, 2009. Because of the timing of the passage of this budget, districts will now pay no employer contributions, effective April 9, 2009 regardless of what pay period the district is paid up to. Any withheld aid in excess of actual pension savings will be returned to districts upon final reconciliation of actual pension reform.

5. Since the employer contributions for the pension are not currently being made, what happens to those expenditures currently budgeted against our federal grants and the closeout of those grants? Are we going to lose the benefit of using the federal dollars against that payment? Once the pension reform is enacted, you should report the actual amount to be charged to the federal grant program. Since these are special circumstances, we will allow a short adjustment period so that Districts can perform a reconciliation of federal pension expenses.